

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF SEPTEMBER 22, 2014**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:00 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Nancy Shevock  
Suzanne Grant  
Ann Visalli  
Art Agra  
Tom Cook

Trustees Absent

Tom Shaw  
Helen Foster

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Kathy Kunkle, Pension Office  
Lincoln Nathan, Pension Office  
Amy Jozwiak, Pension Office  
Rob Gooderham, Ashford Consulting Group  
Seth Yablonovitz, Ashford Consulting Group  
Ann Marie Johnson, Deputy Attorney General's Office  
Sharyn Hallman, Department of Justice  
Charlotte Lister, PAC  
Elaine Loboda, Pension Office  
Kristin Caiola, Pension Office  
Joi Vanderhei, Pension Office  
Trena Giddings, Pension Office

1. **OPENING COMMENTS**

S. Grant thanked everyone for attending today's meeting. D. Craik introduced several Pension Office employees attending the meeting. Amy Jozwiak, who will be taking T. Timmons' place at the October Board meeting, Elaine Loboda, Kristin Caiola, and Joi Vanderhei, who are with our Disability Section, and Sharyn Hallman, our new Paralegal.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the July 25, 2014 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Public Minutes of the July 25, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the July 25, 2014 meeting.

MOTION made by A. Agra and seconded by T. Cook to approve the Executive Minutes of the July 25, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION ADVISORY COUNCIL REPORT**

C. Lister reported that the next Council meeting will be held in November.

4. **PENSION ADMINISTRATOR REPORT**

Legislative Update

The Pension Office is working on the following 3 bills for implementation on 1/1/15:

- HB 137 – provides increased Joint and Survivor option in all plans
- HB207 – is legislation that provides additional benefits to correctional officers
- Post Retirement Increase –provides a 1% increase for those who retired prior to 7/1/13. There have been inquiries from Senator Bushweller's office to expand the group to include those who retired between 7/1/13 – 12/31/14. The Pension Office will provide a cost estimate for that group

### PeopleSoft Upgrade

Is on schedule but there were some issues with the new version of the Oracle database. After discussion, the prior version will be used and an issue was opened with Oracle as the database will have to be upgraded at some point.

### Actuarial Valuation Update

The Actuarial Valuation update has been held up pending the completion of the pension financial statements.

## 5. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>July-14</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>-0.9%</b>	<b>-0.9%</b>	<b>13.0%</b>
<b>S &amp; P 500 Index</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>25.0%</b>
<b>60/35/5*</b>	<b>-0.9%</b>	<b>-0.9%</b>	<b>13.7%</b>
<b>Delaware</b>	<b>-1.1%</b>	<b>-1.1%</b>	<b>12.6%</b>
<b>Benchmark**</b>			

\*Benchmark mix of 60% S&P500 Index, 35% Barclays Government and Credit Bond Index, 5% T-bills.

\*\*Benchmark mix of 38% Russell 3000 Index, 20% MSCI ACWI exUS, 38.5% Barclays Universal Bond Index, 1.5% Barclays TIPS Index, 2% T-bills

Assets in the Fund at the end of July totaled \$9,102 million. The Funds' July return of -0.9% was ahead of the Delaware Benchmark return. For the Calendar year, the total Fund is up 6.2%, 1.8 percentage points above the Delaware Benchmark.

In July markets retreated from June's strong returns. Equity markets posted declines, as the broad Russell 3000 index fell 2.0%, and the MSCI EAFE international stock index dropped by 2.0%. Worries about the conflicts in Ukraine and Iraq weighed on investor sentiment as well as concerns that positive U.S. labor market data would lead the Federal Reserve to raise short-term interest rates sooner than expected. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) lost 1.0%. Fixed income markets also experienced negative returns, though to a lesser degree. The Barclays Universal bond index lost 0.3%, while the JP Morgan Global High Yield index was down 1.2% for the month. The Barclays TIPS index was flat in July providing a 0.0% return.

The Investment Committee met once since the July Board meeting.

At its meeting on August 19<sup>th</sup>, the Investment Committee received a presentation from existing manager Thornburg and reviewed the Fund's Multisector Opportunistic fixed income account. The Investment Committee reviewed second quarter reporting for the Fund, the Volunteer Fireman's Fund, Non-Traditional Investments, securities lending and derivative positions.

The Investment Committee, under its authority to execute documents relating to manager schedules and contracts over which it exercises authority, unanimously approved Schedule A changes to the Bares Capital, Loomis Sayles, and Oaktree contracts.

The next meeting of the Investment Committee was held on September 16<sup>th</sup>.

<u>Fund</u>	<u>Aug-14</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>2.1%</b>	<b>1.2%</b>	<b>11.2%</b>
<b>S &amp; P 500 Index</b>	<b>4.0%</b>	<b>2.6%</b>	<b>18.7%</b>
<b>60/35/5*</b>	<b>2.8%</b>	<b>1.9%</b>	<b>10.0%</b>
<b>Delaware</b>	<b>2.1%</b>	<b>1.0%</b>	<b>9.3%</b>
<b>Benchmark**</b>			

\*Benchmark mix of 60% S&P500 Index, 35% Barclays Government and Credit Bond Index, 5% T-bills.

\*\*Benchmark mix of 38% Russell 3000 Index, 20% MSCI ACWI exUS, 38.5% Barclays Universal Bond Index, 1.5% Barclays TIPS Index, 2% T-bills

Assets in the Fund at the end of August totaled \$9,275 million. The Fund's August return of 2.2% was ahead of the Delaware Benchmark return. For the calendar year, the total Fund is up 8.5%, 1.9 percentage points above the Delaware Benchmark.

In August, domestic equity markets rebounded from July's negative returns as earnings forecasts and employment data continued to improve. Especially strong were MLP's with the Alerian MLP index rising 8.2%. For August, the broad Russell 3000 index was up 4.2%, although the MSCI EAFE international stock index was down 0.2%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) gained 0.6%. Despite stronger economic growth indications, declining German bond yields kept Treasury yields to current low levels, so fixed income markets had positive returns for the month. The Barclays Universal bond index was up 1.1%, while the JP Morgan Global High Yield index was up 1.3% for the month. The Barclays TIPS index gained 0.4% in August.

The Investment Committee has met once since the Board's last report.

At its meeting on September 16<sup>th</sup>, the Investment Committee received a presentation from the Northern Trust Company, the Fund's custodian and cash manager. The Investment Committee also had a presentation from Brahman Partners who reviewed their concentrated equity strategy.

The Investment Committee voted to recommend the following actions to the Board:

- Transfer \$100 million from the Axiom global equity account to Brahman Partners IV, L.P., subject to counsel's review and approval of documents
- Transfer the balance of the proceeds of the Axiom global equity account to the Dodge & Cox International Stock Fund.

The next meeting of the Investment Committee will be held on September 30<sup>th</sup>.

## OPEB

The OPEB (Other Post Employee Benefits) Investment Committee convened on Tuesday, September 24<sup>th</sup>, and reviewed performance for the period ended 6/30/14. Mr. Gooderham noted it had been agreed that a study be done of key OPEB liquidity factors that might impact the main Fund's liquidity needs were the OPEB assets commingled with the main Fund for investment purposes. Provided there are agreed upon guideposts in place to review annually relevant liquidity factors, and as long as the State's funding of the OPEB obligation did not increase materially, the consensus was to commingle OPEB into the DPERS trust.

MOTION made by A. Agra and seconded by T. Cook to enter into Executive Session to consider pension personnel matters, and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

The Board then moved into Executive Session to discuss pending personnel matters, and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION made by N. Shevock and seconded by A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Cook and seconded by A. Agra to authorize the transfer of \$100 million from the Axiom global equity account to Brahman Partners IV, L.P. subject to counsel's review and approval of documents, and to transfer the balance of the proceeds of the Axiom global equity account to the Dodge & Cox International Stock Fund.

MOTION ADOPTED UNANIMOUSLY

## 6. **DEPUTY ATTORNEY GENERAL REPORT**

Ann Marie Johnson introduced our new Paralegal Sharyn Hallman. Ms. Hallman comes to the Department of Justice with an extensive transactional experience, especially in bankruptcy, litigation, and real estate.

7. **AUDIT COMMITTEE REPORT**

A. Agra did not have anything to report but did state he needed to speak with Wade Sallings on setting up the next Audit Committee meeting.

8. **PENDING ITEMS**

There were no pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on October 31, 2014, at 9:00 a.m., at the Delaware Conference Room of the Office of Pensions.

At 10:50 a.m., there being no further business, MOTION was made by N. Shevock and seconded by A. Agra to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator